

DHRM COMPENSATION BULLETIN

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Effective Date: July 1, 2006

Reference: UCA 67-19-12

HB 4

HB 76

SUBJECT: Compensation for State Employees FY2007 – (July 2006 – June 2007) - **Revised**

Contents:

Legislative Language

Total Compensation Package

Salary Adjustments

Benefits

Sequence and Explanation of Compensation Changes

Other Important Information

Legislative Language:

“The Legislature intends that the cost of living allowances funded in this bill become effective July 1, 2006.” (HB 4, Item 31)

“The Legislature intends that retirement benefits be paid as recommended by Utah Retirement Systems.” (HB 4, Item 31)

There was no specific intent language included for the increases in health premiums as the specifics were unknown at the passage of HB 4. However, these increases are included in the funding appropriated to each agency.

“This bill:

- provides for a 2.5% cost of living allowance for state employees, judges, and higher education employees not including school district personnel
- provides for an additional 1% cost of living allowance for state employees in exchange for changes in health insurance benefits equivalent to the cost of a 0.5% cost of living allowance
- provides for changes in the rates charged state agencies to cover termination costs and post-retirement benefit costs” (HB 4)

“This bill:

- requires the Public Employees' Benefit and Insurance Program (PEHP) to offer a high deductible health plan with a federally qualified health savings account;
- prohibits the program from allowing an employee to change from the high deductible health plan to another health plan more frequently than every three years; and
- requires the high deductible health plan to include a health savings account for each covered individual with certain contributions made by the employer and optional contributions made by the employee. (HB 76)

Total Compensation Package

Compensation adjustments approved by the Legislature during each legislative session include both salary adjustments and adjustments in benefits. The total compensation package for State employees for FY 2007 is comprised of the following:

- 3.50% Cost-of-Living Adjustment
- 2.28% Benefit increases (Health insurance and retirement rate increases)
- 5.78% Total Compensation Package

Additionally, the legislature traditionally approves minor changes to termination pool rates and these changes are not captured as part of the total compensation package. The termination pool is used to pay for leave pay-outs at termination/retirement and the post-retirement unused sick leave at retirement benefits. FY 2007 will see a much greater than normal increase to the termination pool, due to new requirements on funding for post-retirement benefits. Employees should be aware that an additional 3.70% was appropriated to pay for increased termination pool rates for FY 2007. If added to the 5.78% compensation package, this equates to a total package of 9.48%.

Salary Adjustments

Cost-of-Living Adjustment – State employees will receive a 3.5% COLA effective July 1, 2006. This increase will appear in paychecks on July 28, 2006. All employees on the General and Longevity pay plans, in Schedules B, AC, AD, AE, AF, AG, AI, AJ, AK, AL, AM, AN, AO, AR, AS, AT, and TE will receive the 3.5% COLA.

There are no Market Comparability Adjustments or Merit Increases for FY 2007. No salary ranges will be adjusted.

Benefits

1. Health benefit premiums for FY 2007 will increase 7.2%. The State's portion has been fully funded by the Legislature. The premium contribution rates that the State and employees pay for the health insurance benefit did not change; they will remain at 7% employee contribution for the PEHP Preferred Plan and 2% employee contribution for all other plans. Although the contribution rate for the employee's portion of the premium did not increase, employees are still responsible for paying their portion of the 7.2% overall increase in premiums. This amounts to a bi-weekly increase of no more than \$2.21, depending on the plan chosen and the level of coverage.*

Dental insurance premiums did not increase for the PEHP Traditional and Preferred Choice plans, but did increase for the Dental Select plan by less than 0.5%. This amounts to a bi-weekly increase of no more than \$0.11, depending on the level of coverage.*

2. Employees enrolled in **PEHP Preferred Care** will continue to pay 7% of the bi-weekly premium. The 7.2% total increase in premium rates results in the following new rates for employees: Single coverage - \$11.94; 2-party coverage - \$24.62; Family coverage - \$32.87.*

PEHP was tasked with modifying the health care benefits provided under this plan in order to pay for 0.5% of the COLA; as a result the Preferred Care plan will have a deductible on inpatient hospitalization, outpatient hospitalization, and major diagnostic tests of \$250 for individual/\$500 for family with the applicable co-insurance on the balance.

3. Employees enrolled in **Advantage Care or Summit Care** will continue to pay 2% of the bi-weekly premium. The 7.2% total increase in premium rates results in the following new rates for employees: Single coverage - \$3.17; 2-party coverage - \$6.54; Family coverage - \$8.73.*

PEHP was tasked with modifying the health care benefits provided under these plans in order to pay for 0.5% of the COLA; as a result the Advantage and Summit Care plans will have a deductible on inpatient hospitalization, outpatient hospitalization, and major diagnostic tests of \$250 for individual/\$500 for family with the applicable co-insurance on the balance.

4. **HB 76** required PEHP to offer a **high-deductible health plan with a health savings account (HSA)** as an additional option to State employees beginning July 1, 2006. This plan will be called **HDHP** and will use the PEHP Preferred Care network. The State will pay 100% of the premium for this plan; employees will pay no premiums. This plan has a high-deductible of \$1,100 for single coverage and \$2,200 for two-party and family coverage. The State will also make an annual contribution in the employee's behalf into the Health Savings Account of \$650 for single and \$1,300 for two-party and family coverage; employees can opt to contribute their own money to the HSA as well. Contributions to the HSA will be made on a bi-weekly basis.

Additionally, employees who choose the **HDHP** plan must make a three-year commitment to this plan and will not be allowed to change health plans during open enrollment or during the one-time change option currently offered on the Preferred, Advantage, and Summit plans.

5. **PEHP Traditional Dental** had no plan design changes. The bi-weekly rates will be as follows: Single coverage - \$6.45; 2-party coverage - \$8.42; Family coverage - \$12.06.*
6. **PEHP Preferred Dental** had no plan design changes. The bi-weekly rates will be as follows: Single coverage - \$1.06; 2-party coverage - \$1.35; Family coverage - \$1.95.*
7. **Dental Select** had no plan design changes. The bi-weekly rates will be as follows: Single coverage - \$.00; 2-party coverage - \$5.24; Family coverage - \$7.79.*

**Premium rates set by PEHP have yet to be approved by the Board of Directors. They are currently considered draft rates.*

Sequence and Explanation of Compensation Changes at Fiscal Year End

1. Longevity and Other Salary Increases

(Agency Manual Entry)

- Salary increases, other than the COLA, such as longevity increases, promotional increases and ASI's **must be manually entered by the agency and approved prior to fiscal year-end processing.** See "Other Important Information" for critical dates regarding fiscal year-end processing.
- If more than one type of increase is processed for a single employee, the increases will run in chronological order based upon which is entered first.
- Increases, other than the COLA, are funded from existing agency budgets. There is no additional or separate funding.
- Longevity salary increases are to follow previously established DHRM rules for eligibility. Career service employees must have a current performance evaluation of successful or higher within the prior year in order to be eligible and these reviews must be entered into HRE prior to entry of the Longevity Increase action.

- The “Projected Longevity Report” in the HRE system can assist agencies in identifying eligible employees. Select “Reports” from the activity list and then select “Employment Reports.” Enter the Agency and Low Org data and click on “Projected Longevity.”

2. **Adjustment to Pay Plans for 3.5% COLA** **(DHRM Automated Processing)**

The General and Longevity pay plans will be adjusted to reflect the 3.5% COLA. For example, the current value of Step 55 is \$20.88 but will increase to \$21.61 after applying the COLA. In order to maintain the 2.75% between steps that is required by State law, there may be some steps that do not receive exactly 3.5%.

3. **Employee Salary Increase for 3.5% COLA** **(DHRM Automated Processing)**

Employee salary rates will be changed to reflect the 3.5% COLA. The employee’s salary step on the pay plans will remain the same, but the value of the step will be worth approximately 3.5% more. For example, if an employee is on Step 50, he or she will remain on Step 50, but the value of the step will be worth an additional 3.5%. The salary increase will appear in the July 28, 2006 pay check.

4. **Other Salary Increases** **(DHRM Automated Processing)**

Any other salary increases approved by the legislature, such as IT employees who convert to Schedule AT and other special agency-specific funding, will be processed.

Other Important Information

1. **The HRE system** will go down at 5:00 p.m. on June 29, 2006, to run fiscal year end. It will be back up July 3, 2006, at 8:00 a.m.
2. **Agency Assignment, Classification, and Salary Actions** that are entered and approved prior to DHRM’s shutdown of the system that have an effective date of July 1, 2006, or earlier, will process before the COLA. Note that **Assignment actions** that you want effective July 1, must be entered and approved on or before 5:00 p.m. on June 29. Pending actions will be deleted. Between July 3, 2006, and 5:00 pm on July 10, 2006, salary and assignment actions will be allowed with effective dates from June 17, 2006, and forward. This will allow New Hire, Rehire, Reappointment from Register, and Retroactive Pay actions to be entered back to as early as June 17, 2006. Most other actions will not be allowed since most active employee records will have at least a COLA action effective July 1, 2006. Beginning July 11, 2006, no action will be allowed with an effective date before July 1, 2006.
3. Employees on the General and Longevity Pay Plans, in Schedules B, AC, AD, AE, AF, AG, AI, AJ, AK, AL, AM, AN, AO, AR, AS, AT, and TE are eligible for the 3.5% COLA.
4. **The 3.5% COLA for employees on Pay Rate Indicator 2 or 3 will be processed by DHRM.** Since employees in this category are not on a step, their salary increase will be determined by adding 3.5% to their hourly rate, using simple rounding. In no case will the new hourly rate exceed the maximum hourly rate for the job classification. For example, an employee whose hourly rate before the COLA was \$19.75 and is in a job with a maximum hourly rate of \$20.00 would not receive the full 3.5% increase, which would calculate to \$0.69. Instead, they would receive a \$0.25 increase, taking the employee to the maximum of their salary range.

5. **Executive Directors and Commissioners** – To date, no salary increases have been approved for FY 2007. The legislature may address salaries for these employees in a Special Session.
6. **Salary increases shall be effective July 1, 2006**, and will show in the paycheck received on July 28, 2006.
7. **Performance Evaluations** must be entered prior to June 29, 2006, in order for longevity increases to process. The absence of an employee's performance evaluation will not preclude him or her from receiving the COLA. Nevertheless, we encourage you to follow the normal, annual practice of completing and entering your evaluations into the HRE system.